

Michigan Democrats, Republicans agree on deep cuts

Massive deficit still looms

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Democratic Governor Jennifer Granholm and the Michigan legislature reached agreement on a plan to erase an \$800 million budget deficit for the current fiscal year that includes \$317 million in cuts.

The deal slashes another \$26 million from hard-pressed Michigan colleges and universities, \$3.6 million from cultural and arts programs and \$3.2 million from the Health Michigan Fund, which supports programs targeting minority, health, family planning, and cancer and smoking prevention.

The legislature diverted another \$83 million from higher education, with the dubious promise that it will be repaid next year, and \$100 million is being raided from a student loan fund. Since her election in 2002, Granholm has cut over \$4 billion, more than any previous Michigan governor.

As a consequence of the cuts, there are predictions of double-digit increases in tuition this year at the state's colleges and universities. "They're balancing the budget on the backs of college students and their parents," said Mike Boulus, executive director of the Presidents Council, State Universities of Michigan. Speaking to the WSWS, he said that state universities have suffered six years of cuts totaling some \$250 million, amounting to a \$2,500-per-pupil cut in funding.

Due to these cuts, tuition at state colleges and universities has been rising steadily, averaging about 8 percent per year this decade for in-state residents. Between 2000 and 2006, average undergraduate resident tuition increased from \$4,447 to \$7,391 (source: House Fiscal Agency).

Budget cuts have led to a significant decline in the relative quality of education in the state. Since 1997,

Michigan has fallen from 6th to 19th in per-pupil spending on public education among the 50 US states.

Republicans and Democrats are still working on a plan to deal with a massive \$3.4 billion deficit projected for the fiscal year beginning October 1. This figure is likely to balloon, since the budget deal uses accounting gimmicks that have the effect of shifting a good portion of this year's deficit into next year and beyond—for example, tapping into money from the state's future tobacco lawsuit settlement.

The crisis in state finances is almost without precedent. There has been talk of shutting down state offices and the temporary layoff of thousands of state workers. The deficit is a product of the ongoing meltdown of the state economy and years of tax cuts handed out to big business. The huge deficit projected for next year is in part due to a vote by the state legislature in 2006 to repeal Michigan's Single Business Tax (SBT), eliminating some \$1.9 billion in annual revenue.

So far, Governor Granholm and the legislature have been unable to agree on a new business tax to replace the SBT, although an agreement could be near. Even if a new tax replaces all the lost revenue, a \$1.6 billion deficit will remain, a shortfall that is expected to keep growing as layoffs in the auto industry mount.

The state of Michigan lost 53,000 jobs last year and is expected to lose another 43,000 this year. Michigan-based automakers Ford, General Motors and Chrysler have announced massive cutbacks along with major auto parts suppliers such as Delphi. The state has suffered six consecutive years of job losses, the most since the Great Depression of the 1930s, and the trend is expected to continue into the indefinite future.

The job cuts are having a devastating societal impact. Michigan suffered a net loss in population in 2006 for the first time in more than two decades. Detroit and surrounding Wayne County alone lost 19,000 people, a total larger than any other county in the United States in 2005-2006 except for the four Gulf Coast counties ravaged by Hurricane Katrina. Estimates for 2007 indicate an even more significant population decline.

Home sales in Michigan have shown a two-year back-to-back decline. Some unemployed workers have had their houses sit on the market for an entire year without a single offer. In the Detroit suburbs, row after row of newly built condos sit vacant. The state has the third highest home foreclosure rate in the United States behind Ohio and Indiana, areas also hard hit by the loss of manufacturing jobs.

Meanwhile, the number of people incarcerated in Michigan prisons is at an all-time record—51,000. Its incarceration rate is one of the highest among the major industrial states, and it imprisons more people than Italy and nearly as many as France.

The latest maneuvers by Governor Granholm and the legislature only ensure that deeper attacks on working people lie in the future. Long-term “solutions” to the state’s budget crisis will certainly entail a wholesale assault on education and other social services. At the same time, both Republicans and Democrats reject any increase in taxes on the wealthy. Indeed, the Michigan constitution bans a progressive income tax.

While the budget deal temporarily averted a threatened \$116 million reduction in per-pupil aid to public schools, even deeper cuts loom. Michigan school districts across the state have already cut services to the bone, and Detroit, one of the poorest big cities in the United States, is set to close 35 schools.

Politicians of both parties have their eye on public employee pension funds. The public school retirement system, which provides benefits to some 150,000 retired school employees, faces some \$25 billion in unfunded liabilities. Several bills are under consideration by the legislature to tighten eligibility requirements, decrease benefits, increase employee deductions and increase the period employees must work to be eligible for full health benefits.

The Michigan Education Association (MEA), the bargaining agent for most Michigan teachers, has refused to mount any serious opposition to calls for cuts

in teachers’ pensions. Allan Short, MEA director of government affairs, told the *Detroit Free Press*, “There are some sore spots out there. Let’s correct them.”

The major unions operating in Michigan have sided with Democratic Governor Granholm in insisting that no measures be taken to deal with the budget crisis that would undermine Michigan’s “business-friendly” environment.

In a speech to delegates attending a conference of state business and political leaders at a Mackinac Island resort, Teamster President James Hoffa and United Auto Workers President Ron Gettelfinger offered no criticism of the budget deal. Instead, they directed their ire at China, calling for business and labor to work together to lobby Congress for trade legislation to protect US automakers.



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